

## **Large Bank**

The large institution performance criteria – the Lending, Investment, and Service Tests – cover all institutions with assets of \$1 billion or more (as of December 31 of both of the prior two calendar years) unless they requested designation and received approval as wholesale or limited-purpose institutions or have been approved for evaluation under a strategic plan.

As under the streamlined small institution procedures, examiners are expected to exercise judgment and common sense to minimize the burden imposed by the examination process, consistent with a complete and accurate assessment of performance. Therefore, for example, examiners may be able to use economic and demographic data analyzed in an examination of an institution in examinations of other institutions serving the same or similar assessment areas. Community contacts may also be combined to cover more than one institution in a given market. In cases where an institution has analyzed its CRA performance, examiners may use those analyses, after verifying their accuracy and reliability, and should supplement those analyses when questions are raised. Examiners should consider any performance related information offered by an institution, and should request information called for by examination procedures.

Large institutions are required to collect and report certain loan data relative to small business, small farm, and community development loans. The existence of those data in automated form will permit examiners to conduct much of the necessary analysis prior to the on-site examination and thereby reduce any disruptions caused by the presence of examiners at the institution.

## **Examination Procedures for Large Institutions**

### **Examination Scope**

For institutions (interstate and intrastate) with more than one assessment area, identify assessment areas for a full scope review. A full scope review is accomplished when examiners complete all of the procedures for an assessment area. For interstate institutions, a minimum of one assessment area from each state, and a minimum of one assessment area from each multistate metropolitan statistical area/metropolitan

division (MSA/MD), must be reviewed using the full scope examination procedures.

1. Review prior CRA performance evaluations, available community contact materials, HMDA and CRA performance data including the institution's lending, investment, and service activities by assessment area, the lending of other lenders in those markets, and demographic information from those markets.
2. Select assessment areas for full scope review by considering the factors below.
  - a. The lending, investment, and service opportunities in the different assessment areas, particularly areas where the need for bank credit, investments and services is significant;
  - b. The level of the institution's lending, investment, and service activity in the different assessment areas, including in low- and moderate-income areas, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies designated by the Agencies<sup>1</sup> based on (a) rates of poverty, unemployment, and population loss or (b) population size, density, and dispersion;<sup>2</sup>
  - c. The number of other institutions in the different assessment areas and the importance of the institution under examination in serving the different areas, particularly any areas with relatively few other providers of financial services;
  - d. Comments and feedback received from community groups and the public regarding the institution's CRA performance;
  - e. The size of the population;
  - f. The existence of apparent anomalies in the reported CRA or HMDA data for any particular assessment area(s);
  - g. The length of time since the assessment area(s) was last examined using a full scope review;
  - h. The institution's prior CRA performance in different assessment areas;
  - i. Examiners' knowledge of the same or similar assessment areas; and
  - j. Issues raised during CRA examinations of other institutions and prior community contacts in the

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1 The Board of Governors of the Federal Reserve System, The Federal Deposit Insurance Corporation, and The Office of the Comptroller of the Currency

2 A list of distressed or underserved nonmetropolitan middle-income geographies is available on the FFIEC web site at [www.ffiec.gov](http://www.ffiec.gov).

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institution's assessment areas or similar assessment areas.

### Performance Context

1. Review standardized worksheets and other agency information sources to obtain relevant demographic, economic, and loan data, to the extent available, for each assessment area under review. Compare the data to similar data for the MSA/MD, county, or state to determine how any similarities or differences will help in evaluating lending, investment, and service opportunities and community and economic conditions in the assessment area. Also consider whether the area has housing costs that are particularly high given area median income.
2. Obtain for review the Consolidated Reports of Condition (Call Reports), annual reports, supervisory reports, and prior CRA evaluations of the institution under examination to help understand the institution's ability and capacity, including any limitations imposed by size, financial condition, or statutory, regulatory, economic or other constraints, to respond to safe and sound opportunities in the assessment area(s) for retail loans, and community development loans, investments and services.
3. Discuss with the institution, and consider, any information the institution may provide about its local community and economy, including community development needs and opportunities, its business strategy, its lending capacity, or information that otherwise assists in the evaluation of the institution.
4. Review community contact forms prepared by the regulatory agencies to obtain information that assists in the evaluation of the institution. Contact local community, governmental or economic development representatives to update or supplement this information. Refer to the Community Contact Procedures for more detail.
5. Review the institution's public file and any comments received by the institution or the agency since the last CRA performance evaluation for information that assists in the evaluation of the institution.
6. By reviewing public evaluations and other financial data, determine whether any similarly situated institutions (in terms of size, financial condition, product offerings, and business strategy) serve the same or similar assessment area(s) and would provide relevant and accurate information for evaluating the institution's CRA performance. Consider, for example, whether the information could help identify:
  - a. Lending and community development opportunities available in the institution's assessment area(s) that are compatible with the institution's business strategy and consistent with safe and sound banking practices;

- b. Constraints affecting the opportunities to make safe and sound retail loans, community development loans, qualified investments and community development services compatible with the institution's business strategy in the assessment area(s); and
  - c. Successful CRA-related product offerings or activities utilized by other lenders serving the same or similar assessment area(s).
7. Document the performance context information, particularly community development needs and opportunities, gathered for use in evaluating the institution's performance.

### Assessment Area

1. Review the institution's stated assessment area(s) to ensure that it:
  - a. Consists of one or more MSAs/MDs or contiguous political subdivisions (i.e., counties, cities, or towns);
  - b. Includes the geographies where the institution has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated or purchased a substantial portion of its loans;
  - c. Consists only of whole census tracts;
  - d. Consists of separate delineations for areas that extend substantially across MSA/MD or state boundaries unless the assessment area is in a multi-state MSA/MD;
  - e. Does not reflect illegal discrimination; and
  - f. Does not arbitrarily exclude any low- or moderate-income area(s) taking into account the institution's size, branching structure, and financial condition.
2. If the assessment area(s) does not coincide with the boundaries of an MSA/MD or political subdivision(s), assess whether the adjustments to the boundaries were made because the assessment area would otherwise be too large for the institution to reasonably serve, have an unusual configuration, or include significant geographic barriers.
3. If the assessment area(s) fails to comply with the applicable criteria described above, develop, based on discussions with management, a revised assessment area(s) that complies with the criteria. Use this assessment area(s) to evaluate the institution's performance, but do not otherwise consider the revision in determining the institution's rating.

### Lending, Investment, and Service Tests for Large Retail Institutions

#### Lending Test

1. Identify the institution's loans to be evaluated by reviewing: